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## Letter dated 30 March 2012 from the Permanent Representative of Algeria to the United Nations addressed to the President of the Economic and Social Council

I have the honour to transmit herewith the national report of Algeria in preparation for the annual ministerial review of the 2012 substantive session of the Economic and Social Council, at which Algeria will make a national voluntary presentation.

I should be grateful if you would have the report circulated as a document of the session.

(*Signed*) Mourad **Benmehidi**
Ambassador
Permanent Representative

* E/2012/100.

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**Annex to the letter dated 30 March 2012 from the Permanent Representative of Algeria to the United Nations addressed to the President of the Economic and Social Council**

# Promoting productive capacity, employment and decent work to eradicate poverty in the context of inclusive, sustainable and equitable economic growth at all levels for achieving the Millennium Development Goals

**National report of Algeria, 2012**

*Summary*

As a result of successful human development and economic growth policies, in 2010, Algeria was ranked among the top 10 countries in terms of improved human development index. Algeria now faces the challenge of sustaining economic and human development in the long term through the diversification of sources of economic growth and job creation.

For over a decade, Algeria has had a stable macroeconomic framework while maintaining progress in human development. The two economic support plans implemented between 2001 and 2009 and the 2010-2014 five-year plan have focused particularly on the development of basic infrastructure, including through the expansion of available housing, the execution of large-scale public works projects and the effective harnessing of water resources. The supplementary development programmes in the high plateau and southern regions have helped to foster development throughout the country. These infrastructure programmes, in addition to measures aimed at strengthening national solidarity and the promotion of women, have enabled Algeria to meet several Millennium Development Goals ahead of the deadline.

The establishment of basic infrastructure for human development has helped to create many jobs by boosting the construction and public works, manufacturing and tourism industries, among others. It has also laid the foundation for sound economic development by providing companies with the public resources and infrastructure necessary to improve their productive capacity and potential for job creation.

Sustaining human development and, in particular, job creation have required the implementation of an economic development strategy. As a result, the national economy has undergone major structural changes affecting the banking and financial system, companies' access to industrial lands, and the regulation of the market for goods and services to foster competition and facilitate the creation of new companies.

Such structural reforms, essential as they are, will lead to growth only if they are combined with national economic recovery policies. One feature of such policies has been to boost the productive capacity of private companies to make them more competitive in a national economy that has opened itself up to the international markets. The performance improvement policy for private companies encourages company investment, especially intangible investment; helps companies to develop a quality approach and achieve certification; and supports personnel training.

Restructuring and recovery measures are also being undertaken in respect of public corporations that operate in strategic sectors of the economy and clearly demonstrate a potential for growth. Once their performance has improved, these public corporations, which are open to partnerships, become a powerful force for restoring growth in sectors which, like the manufacturing industry, generate positive externalities for the economy as a whole.

All these policies, either across or within sectors, have ensured a robust rate of job creation and helped to reduce the unemployment rate by two-thirds over the last decade.

In the light of a growing demand for jobs, these measures have been supplemented by bold labour market policies. Various established systems were strengthened in 2011 to facilitate investment — the first pillar of the national employment policy — access to the labour market and professional development for young people, and State support for the creation of businesses by young entrepreneurs.

# I. Introduction

1. Algeria is the largest country in African and the Arab world in terms of surface area. The country is divided into 48 wilayas, or administrative departments with elected people's assemblies. Algeria boasts significant oil reserves, making it the second leading African oil-exporting country. It also enjoys a strategic geographic location: located at the heart of the Maghreb, it is the gateway to the African continent.

2. Following the oil counter-shock of 1986, Algeria launched a series of economic reforms to replace market-based mechanisms with a managed economy. Those reforms considerably improved Algeria's macroeconomic stability. They also made possible a number of economic and institutional changes, through the State's reduced direct intervention in the economy and the recognition of the freedom of entrepreneurship and the vital role of private enterprise in national economic development.

3. While the economic adjustments and reforms helped to stabilize key economic indicators and gave rise to new opportunities for Algeria, they were nonetheless insufficient to sustainably restore growth and reduce unemployment, the latter of which had reached alarming rates by the end of the 1990s.

4. The social situation resulting from the break with the previous economic system prompted the development, in the 2000s, of a more people-centred strategy for Algerians, who had been traumatized by 10 years of terrorism. Large-scale basic infrastructure projects were begun within the framework of the 2001-2004 economic recovery support plan, the 2005-2009 supplementary economic support plan and the ongoing 2010-2014 five-year development plan. These plans, which affect various socioeconomic sectors, have led to the expansion of road and highway networks, improved access to housing and the gradual abolishment of substandard housing with the construction, between 2005 and 2009, of over one million housing units. In addition, more effective harnessing of conventional and non-conventional water resources made it possible to increase the amount of water available for both drinking and irrigation purposes. Supplementary programmes were developed for the southern and high plateau regions, which require special assistance from the State.

5. The development of infrastructure to meet people's basic needs was accompanied by institutional measures to strengthen national solidarity and to promote the role of women in development. With regard to youth unemployment, a new series of measures to help young people access the labour market have been launched to support job creation. All these policies have led to considerable progress in terms of human development. The human development index rose from 0.602 to 0.677 between 2000 and 2010, allowing Algeria to maintain, and even accelerate its rate of improvement, and thus achieve a ranking alongside other countries with high human development according to the criteria set by the United Nations.

6. Such progress was made possible by the implementation of an economic policy aimed both at developing the Algeria's productive capacity and leveraging that capacity to create jobs and reduce poverty and at sustaining the human development process in a country where economic growth and employment must become less dependent on natural resources.

# II. National development strategy

7. Over the past decade, Algeria has implemented a comprehensive strategy that takes into account the trend towards social stabilization and gradual restoration of national cohesion. Its two main components are economic growth and the promotion of human development.

## A. Economic development strategy

8. Within this new development framework, the economic policy aims:

(a) To consolidate structural changes by:

- Developing the financial sector on a par with the expansion of national saving through the modernization and opening up of the banking system, and promoting the financial market.
- Restructuring the private property market to facilitate access for economic operators.
- Improving regulation of the goods and services markets to increase competition and reduce segments of the informal economy.

(b) To spur economic growth through a recovery policy aimed at boosting productive capacity and based on the following actions:

- To adopt laws that encourage private investment.
- To seek out international investment based on the principle of non-discrimination between local and international private investment.
- To provide capacity-building for the private sector to stimulate competition as markets become increasingly open as a result of regional free trade agreements.
- To ensure the performance improvement and recovery of public corporations in priority sectors and the opening up of their capital within the framework of a public-private partnership that preserves jobs and advances business.
- To implement a national policy for the promotion of public scientific research and industrial innovation and the establishment of conditions conducive to the emergence of a national approach to innovation.

## B. Human development strategy

9. While economic recovery and related reforms are a pillar of the national development strategy, they are not an end in themselves and must be closely linked to human development goals. Therefore, in parallel to its policies for structural change and national economic growth, Algeria has developed an ambitious programme for accelerated human development. The resulting initiatives aim:

**To develop basic infrastructure for human development**

10. The various infrastructure projects started since 2000 and the supplementary programmes for the haut-plateau and southern regions have been key to developing

and modernizing basic infrastructure. These projects have had an impact on all economic sectors, particularly road and rail transport, housing construction, education and health. They have also improved access to water resources, leading to an increase in the daily average of water supply per person from 123 litres to 168 litres over the course of 10 years, thus ending the water stress previously experienced in Algeria. Over the period 2010-2014, Algeria will devote nearly half of all public investment in equipment, or US$140 billion, to human development infrastructure. Such a decision is clearly required to satisfy the ever-expanding social demands of the people. It is also based on the Government's ambition to place human beings, with their expectations and economic, social and political aspirations, at the heart of the country's future.

**To support job creation with bold labour market policies**

11. This second course of action is designed to promote the creation of jobs by assisting job-seekers, helping unemployed young people to access the job market, providing professional training and adopting measures to support entrepreneurship and give companies incentives to create new jobs.

**To strengthen national solidarity**

12. By strengthening national solidarity, the Government hopes to promote values that contribute to social cohesion and foster interdependence between members of society. The Ministry of National Solidarity and Family was established to develop and sustain, by law, national solidarity with the most vulnerable categories of society through multifaceted programmes that support inclusive development.

**To promote further empowerment of women and their increased participation in national development**

13. The Constitution of Algeria unequivocally enshrines the fundamental principle of equality before the law of all citizens without any form of discrimination, including on the basis of gender. The Algerian policy for the promotion of women's rights fulfils this principle as well as the commitments undertaken by the Government, including by signing, in 1996, the Convention on the Elimination of All Forms of Discrimination against Women. The promotion of the role of women is the responsibility of the Deputy Minister for the Family and Women's Issues, who develops, implements and monitors the national policy in this area in collaboration with other national institutions and various partners, including civil society and the media.

14. Lastly, it should be noted that this development strategy stresses the importance of social dialogue. Indeed, social dialogue is considered the best framework for identifying market and public policy failures. With this in mind, stakeholders (the Government and social partners) drafted a national economic and social pact. A series of trilateral meetings (14 in total) and bilateral meetings (13 in total) involving the Government, the General Union of Algerian Workers (Union Générale des Travailleurs Algériens (UGTA)) and business representatives were also held with a view to sharing perspectives and approaches, reaching agreement on a development plan, and identifying any necessary adjustments to current policies.

**National Economic and Social Pact**

15. The National Economic and Social Pact was signed during the trilateral meetings of 2006. It promotes an inclusive approach by involving both employer and employee organizations in the implementation of the national development programme.

16. The key components of the Pact stress the importance of both the economic and social dimensions of development. The Pact is also a commitment to invest national capacities in the most socially fair development. The Pact unequivocally identifies businesses as the primary source of employment and national wealth.

# III. Policies and initiatives undertaken to boost productive capacity and employment

17. The development of productive capacity is necessary to the human development process and, more specifically, to the sustainable creation of productive employment. Indeed, the human development process must be carried out in such a way that it can continue regardless of economic uncertainties.

## A. Policies to boost productive capacity

**Creating a macroeconomic environment that favours growth**

18. Economic reforms and a favourable external environment have enabled Algeria to establish a sound macroeconomic framework. In 2006, the World Economic Forum ranked Algeria second in the world for its macroeconomic performance, including a high domestic savings rate, controlled inflation, stable interest and exchange rates, and significant foreign exchange reserves. Algeria's external debt, furthermore, decreased from $28.1 billion in 1999 to $480 million in 2009.

19. This favourable macroeconomic environment translated into high economic growth for Algeria. Non-hydrocarbon sector growth has continued to be robust at over 5 per cent per year for the past decade, with a peak of 9.3 per cent in 2009. One of the positive consequences of this development has been an increase in per capita gross domestic product. The standard of living indicator, which is one of the three components of the human development index, rose from $6,090 to $7,420 in purchasing power parity between 2005 and 2009 (in constant 2005 dollars).

20. This vigorous economic growth in the non-hydrocarbon sectors was underpinned by the Government's investment in basic socioeconomic infrastructure. Bolstered by the multiplier effects of a number of public investment programmes, the construction and public works industry grew on average more than 9 per cent annually between 2005 and 2010. Other industries, such as the hydraulics industry, have also contributed to robust economic growth.

21. The considerable efforts taken to further human development have not only led to high economic growth but also created numerous jobs. The first economic growth support plan (2001-2004) was directly responsible for the creation of some 750,000 jobs over the period concerned. The rate of job creation also rose in the construction

and public works industry, which accounted for an average annual growth of 9 per cent over the period 2005 to 2010.

22. The validity of Algeria's policy of economic growth through the development of basic infrastructure has been borne out by the jobs it has created and the human development it has advanced. It is also justified by the positive externalities it generates for companies by making available public assets (infrastructure) needed to boost their productive capacity. Nevertheless, because its primary source of funding is the State budget, which itself is heavily reliant on oil profits, this policy is vulnerable to economic downturns. That risk prompted the Government to set up programmes aimed at supporting growth in such a way that it is not entirely dependent on the macroeconomic environment, however favourable it may be.

**Strategy for sustaining economic growth**

23. While Government involvement is necessary to ensure economic recovery and human development and thus make up for the economic and social failings resulting from a decade-long crisis, businesses remain the only source of wealth creation. Based on entrepreneurship, businesses are alone in being able to sustain economic growth and to generate the jobs necessary to reduce unemployment and absorb the growing number of young people who enter the labour market every year. All the programmes developed by the Government are founded on the need for businesses to ensure growth and job creation in the place of Government spending mechanisms.

24. As part of this approach, economic growth consolidation programmes were developed based on the following priorities:

**To reduce the cost of investment with a view boosting economic activity and job creation**

25. The policy for stimulating investment was established on the basis of three objectives: (a) to reduce the cost of investment through tax incentives; (b) to remove the obstacles to entry of new investors through a better organization of the markets; and (c) to facilitate investors' access to factor markets.

26. All the investment codes adopted since 1993 enshrine the freedom of enterprise. They also contain provisions aimed at making the Algerian economy more attractive to potential investors. Thus, the 2006 Order extends the advantages offered to investors to include the exploitation phase of a given project; as a result, the period during which the investor is exempted from paying certain duties and taxes is now six consecutive years. Furthermore, the advantages provided in the case of investment projects in the national interest are the subject of a negotiated agreement between an investor and the Algerian Government. Lastly, the tax burden on corporations has been reduced: the profit tax was cut from 25 per cent in 2008 to 19 per cent in 2011 with regard to the production of goods and services. All these measures have increased investment opportunities and thus job creation.

27. In addition to measures aimed at reducing investment costs, institutions have been established to regulate dominant positions and to lift the barriers to entry of new investors. The Competition Act, the establishment of the Competition Council, the creation of regulating agencies for industries such as the energy and gas, telecommunications, and mining industries, have helped to remove obstacles for competitors and thus stimulate competition and boost investment.

28. The third objective of the policy for stimulating investment is to facilitate investors' access to factor markets. Difficult access to investment loans and industrial lands are often cited as major constraints for the development of investment and company growth. More efficient use of these resources and their accessibility to economic operators has been a priority for the Government, which:

- Created 39 new integrated industrial zones, in particular near highway infrastructure, which will ultimately lessen private property constraints.
- Awarded concessions for industrial lands to companies at government-subsidized rates, or, for those regions in particular need of Government aid, a mere symbolic dinar.

**To promote investment in small and medium enterprises**

29. One of the focus areas of the structural transformation of the Algerian economy has been the expansion of credit opportunities for companies. Within this framework, support measures for investment in small and medium enterprises were adopted, including the:

- The creation of a national investment fund of the equivalent of $2 billion, capable of providing over $20 billion in credit and of acquiring holdings in companies.
- The creation of a wilaya investment fund, in each of the country's 48 wilayas, to be used as venture capital, as needed.
- The establishment by commercial banks of branches specializing in investment (private equity firms and leasing companies).
- Preferential interest rates by the Treasury for investment loans, adjustable according to the region in which projects will be carried out.

30. In addition to these measures, loans granted to companies are backed by the Guarantee Fund for Loans to Small and Medium Enterprises and the Office for the Guarantee of Investment Loans for Small and Medium Enterprises.

**To support the development of private enterprise**

31. The lack of competitiveness of national companies vis-à-vis competitors' imports has led national companies to abandon sectors open to international competition, particularly the building sector, despite the high social returns owing to the externalities generated in terms of technological development and job creation. The performance improvement of companies, as a series of company capacity-building programmes, has been one of the Government's responses to the decline in the building industry.

**To develop a policy to boost the productive capacity of companies**

32. The National Performance Improvement Policy was adopted by the Council of Ministers in 2010. Its goal is to boost the productive capacity of companies to enable them to compete with imports resulting from regional free trade agreements. The Policy consists of several programmes, each of which targets a specific aspect of business operation. Specifically, the programmes provide assistance for the identification of problems within companies, financial aid for tangible and

intangible investment and staff training and technical assistance (assistance with regard to exports, company certification, use of information and communications technologies).

33. On the meso-economic level, the Policy aims to improve the institutional environment for businesses.

34. The National Agency for the Development of Small and Medium Enterprises serves as the administering body for the programmes.

35. The Policy will involve 20,000 companies over the next five years and which will require Government funding of 386 billion dinars ($5.3 billion).

**To ensure the restructuring and recovery of public corporations in promising industries**

36. Public corporations play a predominant role in the manufacturing industry which, by its very nature, generates technological and organizational externalities for the national economy as a whole. As a result, the restructuring of public corporations into large manufacturing groups has been initiated for those corporations that are already active in strategic sectors (cement production, pharmaceuticals, and construction, public works and hydraulics) and that demonstrate a potential for development. Once these corporations have implemented a development plan and improved their performance, they may seek out national and international partnerships. Sanctioned by market rules and global competition, these corporations can help to stimulate national production by replacing imports with their own products, within the context of an open economy, and thus actively participate in boosting job creation.

**Expansion of manufacturing networks through further industrial integration**

37. The expansion of the manufacturing industry in order to reduce imports and ensure an endogenous process of industrialization and job creation was carried out on the basis of two priorities: the integration of the manufacturing sectors and the further development of domestic outsourcing.

38. The mechanism known as "complete/sequential knock-down" is a Government initiative aimed at manufacturing companies to foster the development of production sectors through tax incentives. It applies to labour-intensive sectors, such as the electronic and mechanical sectors, and allows companies in those sectors, which generally operate in the final segments of industrial processing, a better positioning in the value chain. This mechanism, which has contributed to the rapid development of labour-intensive sectors, has been expanded in the past few years to include personal computer assembly.

39. Domestic outsourcing, which contributes to the expansion of manufacturing networks and job creation, is being promoted, as it now constitutes one of the criteria for the awarding of government contracts. The development of small and medium enterprises to support large-scale projects is also a priority, and it is considered one of the criteria for receiving benefits under the National Economic and Social Pact, for instance, with regard to promoting investment in energy-intensive sectors that benefit from the national preferential rates for energy.

**Sector strategies**

40. This set of actions, which aims to boost and diversify sources of growth, is complemented by the implementation of sector strategies. Various sectors have adopted master plans through to 2025 within the framework of the national spatial masterplan. Hence, the tourism sector has developed a specific recovery programme to enable it to play its part, as in neighbouring countries, in diversifying sources of growth. In the same vein, the industrial sector intends to further develop the productive transformation of primary resources and to support the gradual move upmarket of some final processing activities (assembly and packaging). It also creates the conditions for the emergence of new industries, such as cars, information and communications technologies and renewable energy. The agricultural and rural policy is the other focus of the National Development Strategy. It aims to modernize the agricultural sector from an economic perspective; to develop natural resources throughout the country; and, from a social perspective, to improve peoples' living conditions and stabilize rural populations by supporting existing jobs and creating new ones by virtue of the effects resulting from the development of agricultural and rural activities on the service sector and the agri-food industries.

41. The primary motivation behind this growth agenda is to lay the foundations for an endogenous and sustainable job creation scheme. These growth consolidation policies are therefore an essential component of the national employment policy. They have resulted in the creation of 25,000 new businesses each year over the period 2005-2009.

42. However, the employment needs are considerable in Algeria, where the demographic transition only began in the mid-1980s and where the unemployment rate had reached rarely-seen levels, with nearly 30 per cent of the workforce out of work in 2000. Moreover, the transformation of the production system, undertaken to develop the economy's productive capacity, is a process that will require some time before the full effects are felt.

43. Therefore, in order to reduce tensions in the labour market and maintain social cohesion, the Government has implemented multidimensional programmes, for so-called "emplois d'attente" (temporary employment) and including funding to set up businesses, in order to prepare the ground for the lasting integration of young, first-time job seekers into the labour market.

## B. Active national labour market policies

44. The national employment policy is based on the potential of infrastructure projects to create jobs, on the development of businesses' productive capacity to generate economic growth with high employment and on all Government measures to facilitate entry into the workforce, setting up a business and employability training.

**The labour market: past and present**

45. The number of persons entering the labour market has increased by an average of 3 per cent annually between 2000 and 2010, and the total workforce was estimated at 10.8 million persons in 2010. The workforce has a predominantly young profile. Indeed, the 15 to 29 age group represents 40 per cent of the

workforce, according to the 2008 census, down slightly from 1998. Furthermore, despite having begun to slowly catch up, only 15 per cent of the female population of working age currently works owing to social constraints as broadly understood. It is estimated that on average a net flow of 300,000 persons enter the labour market every year.

46. The dependency ratio, which is the ratio of the dependent population (aged under 15 or over 64) to the working age population, decreased from 68:100 in 1998 to 49:100 in 2010. This demographic transition may be favourable as it represents a potential supply of labour and human resources as well as savings opportunities for the country (a demographic gift). However, when there is low growth it can heighten tensions within the labour market and instead become a demographic burden.

**Employment policy**

47. Algeria is committed to pursuing an active employment policy that seeks to promote fully sustainable and productive employment. To that end, Algeria ratified in 1969 International Labour Organization (ILO) Convention No. 122 on Employment Policy, which provides the normative framework for the development of an employment policy and its implementation. The implementation of the structural adjustment programme and the ensuing deterioration of peoples' social situation led the Government to introduce various measures to boost employment and incomes. Since they were launched, changes have been introduced to make the measures more effective. New programmes have been introduced to better target certain sections of the population, and agencies to manage the implementation of the various measures have been established.

48. The employment policy is based on the following objectives:

- To increase the supply of jobs directly through business start-up schemes or through subsidized wages.
- To develop employment-related skills through training schemes to increase the employability of the unemployed and improve their chances of finding a job.
- To increase the efficiency of labour market institutions to achieve greater alignment between the demand for work and the supply of jobs by businesses.

49. To meet these objectives, an action plan to create jobs and combat unemployment has been implemented by the Ministry of Labour since 2008 and focuses on seven areas, among which youth employment is a priority. The action plan aims to:

- Encourage investment in the private sector, which creates numerous jobs.
- Promote youth employment.
- Promote professional training to facilitate entry into the labour market.
- Promote a policy of incentives to encourage companies to create jobs.
- Improve and modernize management of the labour market.
- Monitor, audit and evaluate labour market management mechanisms.
- Establish and form coordination bodies across sectors.

Incentive schemes, together with a revised institutional infrastructure, were put in place to implement the action plan. These can be grouped around four main pillars.

**Pillar I: Investment support scheme to create jobs**

50. Support for investment became a reality with the implementation of the economic development strategy involving: (a) reforms, including of the system to access credit and industrial land and of the organizational and exploitation methods for agricultural public land, to encourage long-term investments; (b) cross-cutting measures for business capacity-building and investment development; and (c) sector policies that encourage the development of job-creating activities in sectors in which Algeria has comparative advantages.

**Pillar II: Scheme to help set up businesses**

51. This programme encourages the creation of new businesses. The beneficiaries are young adults aged between 19 and 40 (within the micro-enterprise framework), unemployed persons aged between 30 and 50 (as part of the scheme managed by the National Unemployment Insurance Fund) and citizens with no income or an irregular income and homemakers (within the framework of microcredits). The programme thus addresses the bank financing difficulties experienced by these social groups. Eligible candidates are provided with assistance throughout the implementation phase of their project. In addition to their contribution made as a down payment, they benefit from an interest-free loan granted by specially-created funds, tax and quasi-fiscal benefits during the implementation and operational phase of the project as well as interest-rate subsidies if necessary.

**Pillar III: Scheme to facilitate access to employment and encourage recruitment**

52. These programmes, which target young, first-time job seekers aged between 18 and 35, aim to facilitate the entry of young people into the labour market and to encourage companies to recruit in order to turn temporary employment into sustainable and productive jobs.

53. The access to employment scheme helps young people to find employment in private companies, the civil service or within the framework of various projects for young people regardless of qualifications. The contracts are renewable for a three-year period as regards public institutions and services and for a one-year period in the private sector. It offers three types of contract to young people depending on their qualifications: young graduates from higher education and senior technicians; young high school graduates or those who have completed a vocational training course; and young people with no training or qualifications.

54. The aim of subsidized employment contracts is to promote job sustainability by encouraging public and private companies to recruit young people via the access to employment scheme. The support given is in the form of a State contribution to the wages paid by the companies in order to reduce the cost of hiring staff.

**Pillar IV: Training-employment scheme**

55. This scheme provides additional training, retraining or further skill development for young people who have signed up with the access to employment scheme to help them adapt to a given post. They may be given a training-

employment contract, subsidized up to 60 per cent for six months, with the employer undertaking to recruit the recipient for a minimum of one year after that.

56. This scheme complements the training and education provided by the Ministry of Professional Training and Education as part of its national action programme to regulate and promote human resources. In that regard, the recent activities undertaken by the Ministry has given a new impetus to:

- Improving the quality of vocational training and education and its relevance to the needs of the labour market by, inter alia, revising the national classification of professional specializations and branches of vocational training.
- Reinforcing intersectoral coordination by establishing a vocational training and education partnership council with regional branches to ensure cooperation between all stakeholders.

**Institutional infrastructure**

57. Supporting the creation of jobs is an essential element of the national development policy. As it is at the crossroads of all the sectoral development strategies, all development stakeholders must be involved in providing that support.

**Institutional framework for the scheme to promote youth employment and help set up businesses**

58. At the head of the institutions responsible for employment policy is the National Employment Commission chaired by the Minister of Labour. An advisory body for consultation and evaluation, it is composed of members from different sectors and is responsible for making recommendations on all employment matters. Local employment commissions have also been established. Their objective is to develop local employment initiatives while taking into account the particular needs of each region.

59. The National Employment Agency (ANEM) is responsible for finding jobs and monitoring changes in the labour market. Authorized private organizations may also work in conjunction with the State employment service.

60. Government programmes to promote employment and combat unemployment are managed by the implementing agencies. Each of them targets a specific group.

61. The National Youth Employment Agency (ANSEJ) is tasked with advising and assisting young entrepreneurs in carrying out their investment projects, with implementing youth employment schemes and with managing the National Youth Employment Fund.

62. The National Unemployment Insurance Fund (CNAC) is responsible for helping those receiving unemployment benefits to go back to work. Within this framework, it helps to finance businesses for goods and services set up by unemployed persons eligible for unemployment benefits.

63 The National Microcredit Management Agency (ANGEM) is responsible for managing the microcredit scheme. This is a loan granted to citizens with no income or irregular or variable low incomes.

**Social integration scheme**

64. Based on a network of 34,000 associations, the Government has established, in parallel with schemes to facilitate entry into the labour market, inclusive development support programmes, both nationally and in specific, unstable regions. These programmes have targeted vulnerable groups (persons with disabilities, senior citizens, children and women in need, etc.). Within this framework of social protection and poverty reduction, a social safety net has been put in place to help underprivileged persons meet their basic needs in the form of lump sum payments and support for social integration activities as part of various schemes that led to the creation in 2011 of 450,000 posts for job-seekers.

## C. Progress made in reducing unemployment

**Appreciable reduction in the unemployment rate**

65. The outcome of the Algerian development policy can be seen in the resulting reversal of the unemployment trend. Between 1990 and 1997, the unemployment rate had doubled, affecting young first-time job seekers in particular. In 2000, with an unemployment rate of nearly 30 per cent of the workforce, Algeria had one of the highest rates of unemployment in the world, compared with countries with a similar per capita income.

66. As a result of an extensive policy of government investment in human development infrastructure, structural reforms aimed at reviving the national economy, and active labour market policies, the unemployment rate fell to 10 per cent of the labour force, even though a considerable proportion of jobs had been created under temporary schemes for economic growth. While the working age population grew by nearly 2.8 per cent over the last decade, the unemployed population has been reduced by over half, from 2.61 million in 2000 to 1.08 million 10 years later.

**Youth unemployment rate down**

67. The number of young people of working age has decreased slightly during the intercensal period from 1998 to 2008 as a result of the demographic transition that began in the mid-1980s. Since then, the fall in the average rate of unemployment has resulted in a remarkable drop in the youth unemployment rate: from 35 per cent of the workforce in 2003, the unemployment rate of those aged between 15 and 34 fell to below 16.5 per cent in 2010. These results demonstrate the impact of efforts undertaken to facilitate, through various support schemes, young peoples' entry to the labour market.

**Slight increase in women's participation in the labour market**

68. Women's participation in the labour market increased slightly between 2003 and 2010, from a rate of 12.3 per cent of women of working age to 14.2 per cent. This positive development is linked in particular to the new opportunities available to women as a result of the schemes to facilitate entry into the labour market and set up businesses. Between 2008 and 2011, 560,015 women benefited from the access to employment scheme and 22,750 from a subsidized work contract. Moreover,

11,247 businesses were set up by women under the ANSEJ and CNAC schemes, while nearly 100,000 women initiated a microcredit project between 2010 and 2011.

**Human development progress**

69. These results fit more broadly within the implementation of a development policy that prioritizes the different aspects of human development, of which employment is a key factor. In this regard, the achievement of the Millennium Development Goals by 2015 is a priority for Algeria and an intrinsic part of its development programmes.

70. These labour market results were supported by an average job creation rate of 4.5 per cent per year over the decade. The immediate factors that contributed to the rapid increase in job creation were:

- Economic growth in the non-hydrocarbon sector. The main source of employment, which averaged 5.5 per cent per year over the period 2000-2010.
- The creation of a considerable number of subsidized jobs. Since the job creation schemes were established, nearly 1.4 million first-time job seekers have found employment, while the scheme for subsidized contracts has led to the recruitment of more than 49,000 young people. The scheme to facilitate setting up businesses (ANSEJ, CNAC and ANGEM) has helped to finance 527,000 micro-businesses, generating more than 1,050,000 jobs as a result.

71. The measures introduced in 2011 have greatly improved the results of these schemes in terms of facilitating access to the labour market, getting people into work and the creation of businesses (see table).

**Evolution in the performance of employment schemes, 2010-2011**

| | *2010* | *2011* |
|---|---|---|
| Number of people entering the labour market | 273 141 | 660 810 |
| Number of people recruited on a subsidized work contract | 16 937 | 24 188 |
| Number of businesses set up (CNAC, ANSEJ and ANGEM) | 82 051 | 168 722 |
| Jobs generated as a result | 153 854 | 289 773 |

**Efforts to modernize labour market intermediaries and programme management institutions.** Such efforts have focused particularly on expanding the mandate of CNAC to provide assistance to and support entrepreneurs; reforming ANEM as the central public employment service; modernizing employment agencies and strengthening their response capabilities; and restructuring and reinforcing the mandate of the Labour Inspectorate.

# IV. Issues and challenges

72. The significant drop in unemployment is one of the major developments of the labour market over the last 10 years. However, despite the progress made, the country continues to face several challenges: the vulnerability of certain social groups; the sustainability of jobs created; and the diversification of growth to support human development policies.

## A. Working towards growth rich in productive and sustainable employment

73. Between 2000 and 2010, Algeria reduced the unemployment rate by 20 percentage points. The major challenge is to maintain that rate, particularly for vulnerable social groups. To meet this challenge the five-year programme for 2010-2014 provides for the creation of 3 million jobs thanks to the creation of 200,000 new businesses, the agricultural development programme and various schemes to facilitate entry into the labour market and setting up businesses.

### Strengthening support for youth employment and setting up businesses

74. Despite the progress made in creating jobs, inequalities persist. The rate at which unemployment has fallen has varied across social groups resulting in discrepancies in the labour market. Although the unemployment rate among 16 to 34 year-olds is falling, it is still higher than the national average by 3.5 points. There is still progress to be made in facilitating the entry of young, first-time job seekers into the labour market. This concern has motivated the efforts to revitalize the youth employment and business creation schemes agreed in February 2011. These have allowed 2.5 times more young people to join the labour market.

### Addressing the growing need to create jobs for women as a result of the development of women's role in society

75. Another consideration is that the female population is at a disadvantage on the labour market. Despite the presence of women in many economic sectors (State bodies, notably education, where women account for more than 50 per cent of educators, or the justice system, where 38 per cent of managerial staff are women), women's participation rate in the labour market has increased only slightly; according to a National Statistics Office employment survey, only 1.5 women in 10 had jobs in 2010. Moreover, unemployment affects more women graduates than men. This situation poses a challenge on two fronts: economically and socially.

76. Women's participation rate increases exponentially with their level of education. It stands at 7 per cent for women without a degree, but increases to 40 per cent for female university graduates. Consequently, the considerable progress made in education for girls promises a rapid consolidation of women's participation in the labour market at the higher levels.

77. In a similar effort to promote the social inclusion of women the Joint Programme for Gender Equality and Women's Empowerment was launched in September 2010 by the Ministry of National Solidarity and the Family. The highest Government offices are committed to sustaining this momentum to strengthen women's political role via the constitutional amendment of 2008 and the law of

2012 to promote women's participation, which increases women's parliamentary representation and, thereby, encourages their active participation in the country's development.

78. Women's aspiration to greater participation in economic and social development, supported by a higher level of education and upheld by the Government's efforts to promote women's role in society, raises the matter of stimulating job creation over the next decade in order to be able to absorb the expected increase in female workers.

**Developing sustainable temporary jobs by placing them at the heart of schemes to help accelerate the creation of long-term and productive jobs**

79. The implementation of the national employment policy over the past decade has led to rapid and significant progress in cutting unemployment. The number of unemployed people was halved in the seven years between 2003 and 2010. However, there are still elements of precarity. Temporary work has increased significantly from 30 per cent of total employment in 2003 to 37.5 per cent in 2010. This development is mainly the result of the declining proportion of public sector jobs, which tend to offer continuing contracts. Moreover, according to the data of the National Social Insurance Fund (CNAS) and the National Statistics Office, it is estimated that the proportion of employees covered by social security was 75 per cent of all employees in 2010, representing nearly 4.9 million workers. However, the level of social security coverage is significantly lower among self-employed people.

80. The vulnerability of certain groups requires a new incentive to increase the length of contracts and social security coverage in the private sector. The Government is taking proactive steps in that direction by encouraging employment for periods longer than one year, inter alia, by reducing the employer's social security contributions and making provisions, such as those of February 2011, to improve the scheme for subsidized contracts and to make them more attractive.

## B. Towards a diversified job creation process to safeguard it against external shocks

**Diversifying sources of economic growth to ensure the long-term sustainability of the human development policy**

81. While the key element of the employment policy is economic recovery based on a sustainable and endogenous economic development strategy, job creation schemes are still largely financed by State budgetary resources. The challenge now is to create jobs from a variety of sources by strengthening the involvement of businesses in order to safeguard schemes against external shocks and, more generally, to broaden the sources of economic growth to ensure the long-term sustainability of our social and human development policy.

**Developing industrial sectors with high added value in terms of employment and in which the country has competitive advantages: the example of the agri-food industry**

82. Current activities aim to promote the competitiveness of businesses, including those operating in sectors with considerable potential to create jobs and added value, such as the agri-food industry, which employs 40 per cent of the industrial workforce.

83. The support programme for the agri-food sector aims to encourage the:

- Development of domestic production to replace imports and seizing of export opportunities.
- Performance improvement of businesses in the agri-food sector.
- Strengthening of training aspects and incentives for businesses to adopt a quality approach.

84. With regard to support mechanisms, the programme seeks to:

- Promote two cluster approaches adopted as pilot projects in the industrial production of tomatoes and dates.
- Set up a technical agri-food centre to support the development of the sector.
- Establish three export-orientated consortia for the agri-food industry.

**Promoting exports outside of the hydrocarbon sector**

85. Algeria's focus on hydrocarbon exports exposes its economic growth to the vagaries of international speculation. In order to strengthen national economic growth and job creation schemes, the export incentives scheme was enhanced by, inter alia, expanding expenditures authorized by the special fund to promote exports; exempting export operations from taxes on profits; prioritizing Government support to harmonize export product standards; and providing Government assistance for training in export-related jobs.

86. All of these measures make up a comprehensive economic diversification policy. Out of sheer necessity, this policy is pursuing the structural transformation of the economy through the national economic development strategy that the Government is now hoping to implement and which we have attempted to outline herein.